

Message Text

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PAGE 01 STATE 108922
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FM SECSTATE WASHDC
TO AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: EAR, CG, US

SUBJECT: PAN AMERICAN FOREIGN EXCHANGE DIFFICULTIES WITH
GOZ

REF: KINSHASA 4097

1. DURING EXTENDED CONVERSATIONS APRIL 21, PANAM
OFFICIALS GATT, MERKLE AND BURGUND SKETCHED FOR AF/C
DIRECTOR A SOMEWHAT MORE SOMBER FOREIGN EXCHANGE PROBLEM
WITH ZAIRE THAN HAD PREVIOUSLY EMERGED.

2. DOLLAR AMOUNTS DUE PANAM FOR INTERCON OPERATION
(\$259 THOUSAND), FOR TECHNICAL ASSISTANCE TO AIR ZAIRE
(\$423,000) AND TO BALANCE INTERLINE SERVICING COSTS
(EST. \$30,000) ARE NOT OF GREAT IMMEDIATE CONCERN TO
PANAM OR INTERCONTINENTAL.

3. INSTEAD THE FOCUS IS ON THE \$2.8 TO \$3 MILLION DUE
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PAGE 02 STATE 108922

PANAM ON PANAM TICKETS SOLD BY AIR ZAIRE FOR ZAIRES
WHICH ARE NOW EFFECTIVELY BLOCKED IN KINSHASA BANK.

4. PANAM ESTIMATES THAT THE NET MONTHLY TICKET REVENUES
IN FUTURE WILL AVERAGE ABOUT \$225,000 MONTHLY, RANGING

FROM 200 TO 250 THOUSAND DOLS, DEPENDING ON SEASON.

HOWEVER, GOZ DOLLAR PAYMENTS TO PANAM HAVE BEEN RUNNING ONLY AT 115 THOUSAND DOLS PER MONTH AND LAST PAYMENT RECEIVED WAS FOR NOVEMBER, 1977. THUS, RATHER THAN BITING INTO BACKLOG DUE PANAM, ARREARAGES ARE RISING BY ABOUT 110 THOUSAND DOLS MONTHLY.

5. MERKLE SKETCHED HER THINKING REGARDING POSSIBLE PAYOFF SCENARIOS. ASSUMING RPT ASSUMING GOZ KEEPS CURRENT AT 225 THOUSAND DOLS PER MONTH, AN ADDITIONAL 375 THOUSAND DOLS MONTHLY, FOR A MONTHLY TOTAL OF 600 THOUSAND DOLS, WOULD CLEAR UP THE ENTIRE PROBLEM IN EIGHT MONTHS, BY THE END OF THIS YEAR. MERKLE GRANTED THIS SCENARIO, IN PRESENT CIRCUMSTANCES, SEEMED TOO OPTIMISTIC. TO PAY OUT IN 12 MONTHS A TOTAL OF 475 THOUSAND DOLS MONTHLY WOULD BE NEEDED, BUT SHE THOUGHT PANAM WOULD SETTLE FOR 455 THOUSAND DOLS MONTHLY, A 13 MONTH PAYOFF. SEE COMMENT BELOW.

6. IN RESPONSE TO QUERY, MERKLE AND GATT SAID THAT DURING TALKS WITH GOZ IN KINSHASA, PANAM HAD NOT LINKED ITS PUSH FOR A HIGHER MONTHLY DOLLAR RETURN TO POSSIBLE INTERRUPTION OR SUSPENSION OF PANAM SERVICE TO KINSHASA. HOWEVER, IT DEVELOPED DURING COURSE OF CONVERSATION THAT PANAM HAD GIVEN ZAIRIAN AMBASSADOR KASONGO IN WASHINGTON COPY OF LEET LETTER OF MARCH 30 TO AMBASSADOR CUTLER, WHICH LETTER CARRIES CLEAR IMPLICATION THAT CESSATION OF LIMITED OFFICIAL USE

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PAGE 03 STATE 108922

SERVICE COULD RESULT. GOZ IS THUS INFORMALLY ON NOTICE. KASONGO HAS TAKEN SERIOUS INTEREST IN PROBLEM, ACCORDING TO GATT, AND IS ENDEAVORING TO BE HELPFUL IN KINSHASA. GATT REPORTS KASONGO IS DISMAYED AT A POSSIBLE INTERRUPTION OF SERVICE WHICH WOULD TEND TO UNDERMINE HIS MAJOR EFFORTS TO STIMULATE MORE AMERICAN INVESTMENT IN ZAIRE. GATT AND BURGUND TOLD AF/C DIRECTOR, HOWEVER, THAT IF SERVICE WERE CUT, REASONS OTHER THAN THE REAL ONE WOULD BE ADDUCED (PUBLICLY, AT LEAST) TO MINIMIZE IMPACT ON PANAM/GOZ RELATIONS, AND TO SAVE ZAIRIAN FACE.

7. PANAM PEOPLE SEEMED RELATIVELY UNCONCERNED WITH POSSIBLE GOZ ADVERSE REACTION TO POSSIBLE SUSPENSION OF SERVICE. THEY ACKNOWLEDGED THAT THEN "IT WOULD BE A LONG TIME" UNTIL THEY GOT THEIR DOLLARS OUT BUT SEEMED UNWILLING TO CONSIDER POSSIBLE GREATER GOZ DILATORINESS IN MAKING DOLLARS AVAILABLE FOR REPATRIATION FROM THE INTERCON OPERATION. IN THIS CONNECTION, GATT HAD JUST RETURNED FROM ZURICH WHERE HE WAS NEGOTIATING 52 MILLION DOLS LOAN FOR INTERCON EXTENSION. HE THOUGHT DEAL LOOKED

PROMISING AND THAT PANAM SENIOR FINANCIAL AUTHORITIES

WOULD GO AHEAD WITH IT UNDER TERMS NOW OFFERED.

8. MERKEL ATTEMPTED TO MAKE CASE THAT PANAM HAS A SPECIAL STATUS IN ZAIRE WHICH WOULD WARRANT USG INTERVENTION WITH BOFOSSA OR HIGHER. AF/C DIRECTOR MADE IT CRISTALLINE (GATT AGREEING) THAT WHILE, AS COURTESY, AMBASSADOR CUTLER WAS WILLING TO PASS OCCASIONAL PANAM MESSAGE TO BOFOSSA WHEN COMMERCIAL FACILITIES ARE OUT, IT WOULD BE HIGHLY INAPPROPRIATE FOR EMBASSY TO GIVE PREFERENCE TO ONE OF MANY AMERICAN CREDITORS PRESSING ZAIRE FOR DOLLARS. DIRECTOR'S CALL ON PANAM WE EXPLAINED, WAS INTENDED ONLY TO PERMIT SORTING OUT FOR DEPARTMENT'S INFORMATION PROBLEM WHICH OBVIOUSLY HAD BILATERAL POLITICAL IMPLICATIONS SHOULD PANAM BE THINKING SERIOUSLY OF STOPPING LIMITED OFFICIAL USE

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PAGE 04 STATE 108922

KINSHASA SERVICE.

9. AF/C DIRECTOR SPECULATED THAT SUCH A DECISION BY PANAM IN THE NEAR FUTURE MIGHT BE BADLY TIMED, GIVEN THE CURRENT SIGNS OF MOVEMENT IN THE ZAIRE RECOVERY AND REFORM PROGRAM. THE ZAIRIAN ECONOMIC FUTURE MIGHT BE IN MUCH BETTER FOCUS BY SUMMER OR EARLY FALL. RESPONSE WAS THAT PANAM SENIOR FINANCIAL OFFICIALS ARE ANXIOUS TO MAKE A DECISION, AND MOREOVER THAT THEY FELT PUSHED BY NECESSITY TO MAKE DECISION SOON CONCERNING PUTTING GROUNDHANDLING EQUIPMENT IN KINSHASA TO ACCOMMODATE SHIFT-OVER TO 747'S NOW SCHEDULED FOR LATE FALL. LEAD-TIME IS SUCH AS TO REQUIRE A DECISION SOON.

10. COMMENT: WE HAVE VERY STRONG IMPRESSION THAT PROBLEM IS GENERATING MUCH DEBATE INSIDE PANAM BUT THAT THERE IS LIKELY NOT MUCH UNANIMITY OF VIEW. MERKLE SEEMED TO BE MAKING CASE FROM HER OWN PARTICULAR OPTIC AS DIRECTOR OF INTERNATIONAL FINANCES, BUT GATT AND BURGUND SEEMED INCLINED TO FAVOR A BROADER, AND MORE LONG-TERM VIEW. NEVERTHELESS, PANAM OFFICIAL INTENTION WAS CLEARLY TO IMPRESS ON US THAT THEY CONSIDER THE PROBLEM SERIOUS AND IN NEED OF PROMPT RESOLUTION, PERHAPS BY TERMINATION OF SERVICE. WHILE WE CONSIDER SUCH A STEP WELL WITHIN REALM OF THE POSSIBLE, WE WOULD NOW SPECULATE THAT PANAM WILL THINK LONG AND HARD BEFORE CUTTING A SERVICE THEY ACKNOWLEDGE TO BE PROFITABLE (IF THEY MANAGE TO GET THEIR DOLLARS OUT) IN A COUNTRY WHICH OWES 13 OF PANAM'S TOTAL INTERNATIONAL RECEIVABLES AT A TIME WHEN THE START OF AN ECONOMIC TURN-AROUND COULD RPT COULD BE ONLY MONTHS AWAY. VANCE

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